Incentive Marketing

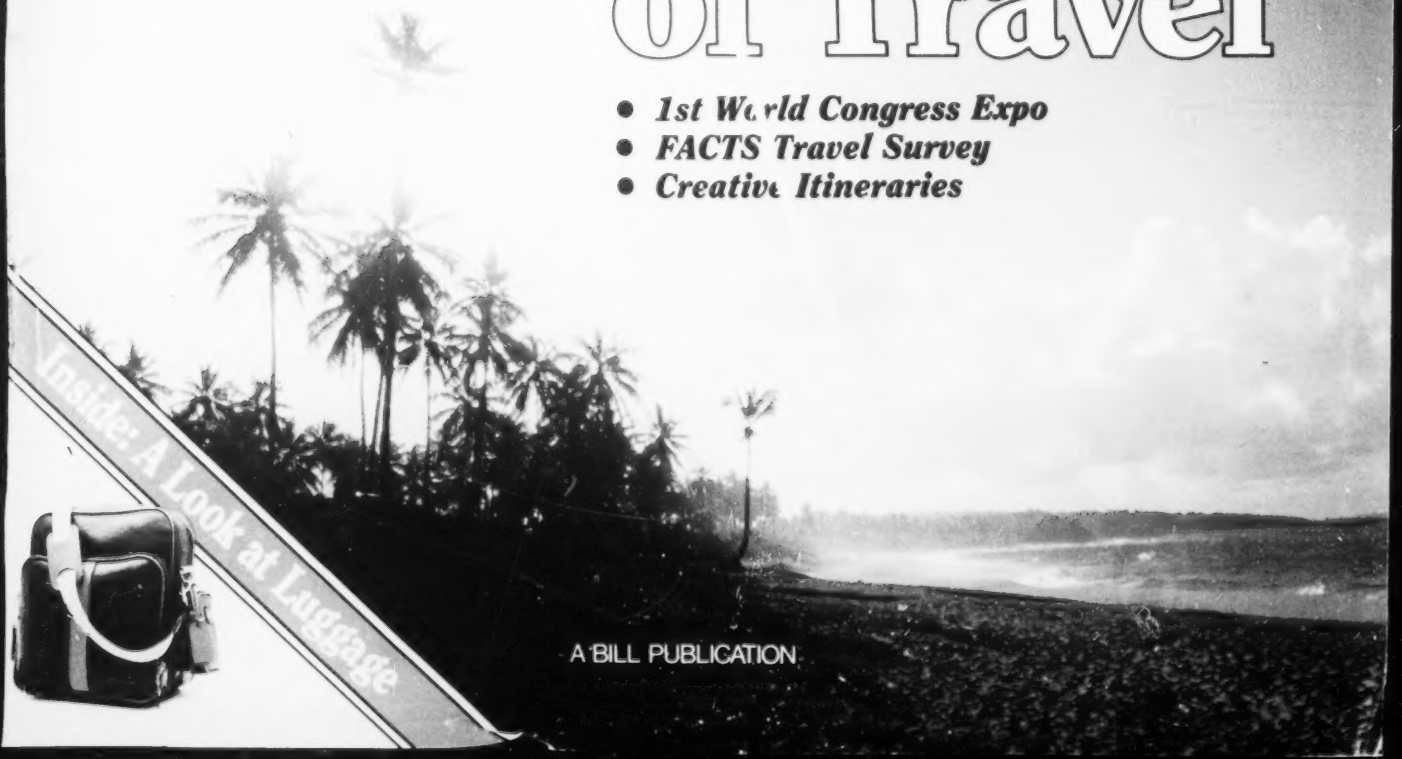
INCORPORATING INCENTIVE TRAVEL

JULY 1984

How companies capture...

The Lure of Travel

- *1st World Congress Expo*
- *FACTS Travel Survey*
- *Creative Itineraries*



Inside: A Look at Luggage

A BILL PUBLICATION

INCENTIVE MARKETING

Special Section: WORLD TRAVEL REPORT

July 1984

The roulette wheels are spinning rapidly in Atlantic City and Las Vegas. See page 93 for details.

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80th Year
Vol. 158
Number 7
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Cover shot courtesy of Photofile International Ltd.

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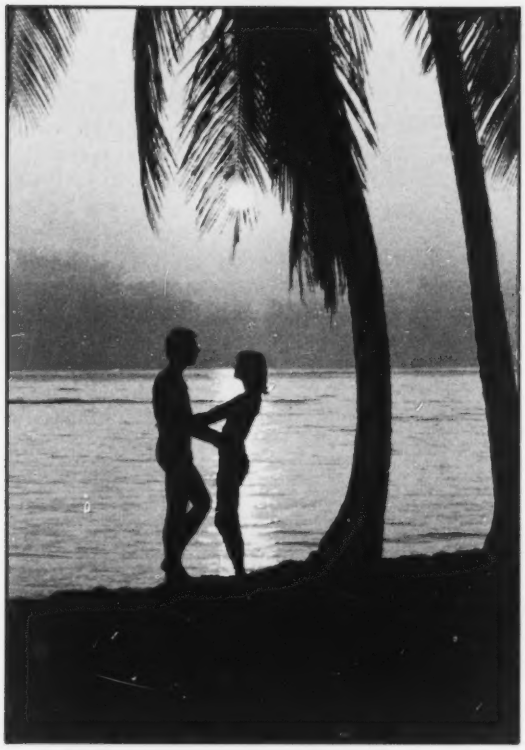


The Lure of Travel

Awareness of the effectiveness of incentive travel continues to spread. This year's **IM** incentive user survey shows that more companies than ever before are taking their sales forces, dealers and distributors east, west, north and south. Incentive travel expenditures have gone in only one direction—up—reaching a new high of $1.2 billion in 1983, according to current estimates. There's a good reason for this consistent growth pattern: incentive travel builds profits. That's why it's the fastest-growing segment of the incentive market.

IM's latest survey of 133 executives who use incentive travel shows that:

- Expenditures for incentive travel are up about 10 percent over 1983 levels—with more of an increase on the sales force side than for dealers and distributors.
- Percentage of eligibles qualifying for trips is up. As a result:
- Gains in sales during the campaigns have improved measurably late last year and this year, compared with the previous period.
- Costs of travel programs have increased sharply in the past year, but . . .
- Costs as a percentage of incremental sales have remained remarkably constant for at least three years.
- The swing, begun last year, toward greater use of domestic destinations, is continuing.

In 1983, incentive travel spending reached a new estimated high of $1,211,868,000. But expansion has slowed, even though travel outstrips other incentive types in growth. In 1982, with considerable inflation, travel advanced by 5.6 percent over the year before. Last year, in an improving economy with inflation down, the record was better—but up by only 7.6 percent.

In **IM's** travel survey report last year, it was noted that average sales gains reported by users had been declining for a few years. They were coming closer to parity with gains made by merchandise incentives, as compared with the consistent superiority travel had shown for a few years, with user volume expansion averaging around 20 percent.

Travel performance hit bottom in 1982, when 20 percent of readers **IM** surveyed said they had achieved no sales increases at all with their incentive travel programs—in many cases they were just "happy to stay even." Of those who did report growth that year, the average advance was only about 12 percent.

Had incentive travel lost its glitter? Probably not. It seems more likely that respondents simply reacted to economic troubles by cutting back more sharply on travel than on other trade incentive programs. Since many travel campaigns run a full year, it takes con-

Incentive travel spending reached a new high of $1.2 billion in 1983, about a 10-percent increase over 1982.

sistent volume growth to show a good end-result—whereas a short-term merchandise promotion can show a bump in the sales curve even in bad times.

Performance in incremental sales has not quite returned to the heady times of the 1970s, but readers in the current survey reported a respectable average gain of 17.7 percent, the best in several years. This was for their "latest" travel campaign—which in most cases means late 1983 or early this year. For the previous program, the same executives reported a 14-percent average result.

For this survey, which was conducted in May 1984, 133 executives reported their travel dollar expenditures for 1983 and estimates for 1984. In all, 98 firms listed their budgets for sales force programs and 60 for dealer campaigns.

Their estimates indicate that they will increase their outlays for sales incentive programs by 14.5 percent over their spending last year. On the dealer/distributor side, they said they will spend about 5.6 percent more. Overall, their budgets for incentive travel show an increase of 10.2 percent above their 1983 usage.

These respondents plan to spend a total of $18,225,000 for sales incentive travel this year—an average of $185,969 per company—and $15,621,000 for dealer promotions, or an average of $260,350 per firm.

These executives lean more toward sales force motivation programs, although the gap between dealer and sales campaigns has been narrowing steadily. In the 1983 usage estimates, more than 49 percent of travel expenditures went for salespeople, while 10 years earlier it had been only 41 percent.

When the big growth in travel came in the 1950s and 1960s, large dealer movements predominated, and this became the major focus of travel expenditures.

But it hadn't always been so. One of the first major incentive travel programs was strictly for salesmen. The National Cash Register Company (NCR) had been holding a sales convention since 1886, but in 1906 management converted it into an incentive event and, in 1922, the group took its first trip away from Dayton, Ohio—by train—for a New York holiday.

Since the tide began to turn in the 1970s, there has been a steady growth in sales force participation in travel incentives. And, if overall estimates for 1984 follow the trend indicated by users in this survey, sales incentive travel could move up to about a 51-percent market share.

Although a shift toward sales incentive promotions is seen in the estimates derived from this survey, actually a somewhat smaller percentage of these users aim programs at company sales forces than a year ago—66 percent—compared with 76 percent for a similar group in 1983. Other sales types are targeted too: dealer salespeople by 18 percent, and distributor sales personnel and independent reps by 17 percent each.

In addition to this, 36 percent promote to retailers, and 25 percent to distributors or wholesalers. Another 11 percent aim their campaigns at direct sales forces, and 8 percent use travel to motivate non-sales personnel.

Another trend, apparently begun last year and continuing into 1984, is a move toward heavier use of domestic destinations. In 1979, foreign travel hit a high point of 57 percent of estimated expenditures, but then it dropped to 42 percent the next year, as many users fought to hold down the inflationary boom in costs by playing closer to home.

Foreign sites edged up in 1981 and 1982, to 45 percent of all budget estimates. But last year the estimate stood at 42 percent, and users in the current survey report 40 percent of their travel budgets spent abroad, with 60 percent for domestic destinations. Cost instability again looms as part of the reason. For example, an electrical manufacturer who consistently has used foreign sites now finds a major problem in "trying to get firm

TOP TEN INCENTIVE TRAVEL USERS: 1983

INSURANCE	$161,156,000	+ 8.5%
ELECTRONICS, RADIO & TV	$118,154,000	+ 6.1%
AUTO PARTS, TIRES & ACCESSORIES	$109,752,000	+10.0%
AUTOMOBILES & TRUCKS	$ 99,414,000	+ 7.8%
FARM EQUIPMENT	$ 76,895,000	+ 2.1%
HEATING & AIR CONDITIONING	$ 70,595,000	+ 5.0%
OFFICE EQUIPMENT	$ 54,535,000	+10.3%
ELECTRIC APPLIANCES	$ 44,943,000	+ 4.8%
BUILDING MATERIALS	$ 37,646,000	+ 9.6%
TOILETRIES & COSMETICS	$ 34,605,000	+10.4%

costs, since the trip takes place approximately two years after it's planned and budgeted." Forecasting costs at home is no picnic either, but many users feel it's safer than trying to cope with foreign costs.

But there are other forces at work. Call it "patriotism" or "chauvinism," the "Buy American" concept seems to have permeated the thinking of many users. Tom Moore of Mallinckrodt Inc., a St. Louis-based subsidiary of Avon Products, has started an incentive travel program for distributors, much more ambitious than his previous promotions. He says, "it will be 100-percent domestic, as we feel a strong pull to keep American dollars circulating for the good of the U.S.A.!" Yet he won't sacrifice either distance or allure in his initial effort—a trip to Maui for 50 people.

In addition to the dollar shift, there's been a slight change in the choice of destinations. Of 311 different sites mentioned, 53 percent are domestic locations (including Hawaii, Puerto Rico and the Virgin Islands), a 1-percent rise over last year's domestic site preference.

Florida bumped Hawaii out of first place as the United States leader, and edged out Mexico by one mention for overall favorite destination. Four destinations, three of them domestic, dominate the list with 42 percent of all mentions: Florida, Mexico, Hawaii and California, in that order.

Group trips remain the greatest segment of the incentive travel field; 72 percent of survey respondents say they run groups—down a bit from 79 percent in 1982. The remaining 28 percent offer individual travel awards, permitting winners to journey alone or in small groups, usually (but not always) at their choice of time.

A year ago the survey indicated that group size had decreased compared to previous years—an average of 113 people, but a median of just 50. This undoubtedly was a key factor in the relatively small dollar growth of the travel field in 1983 and, in turn, reflected weaker performance and smaller qualification than usual.

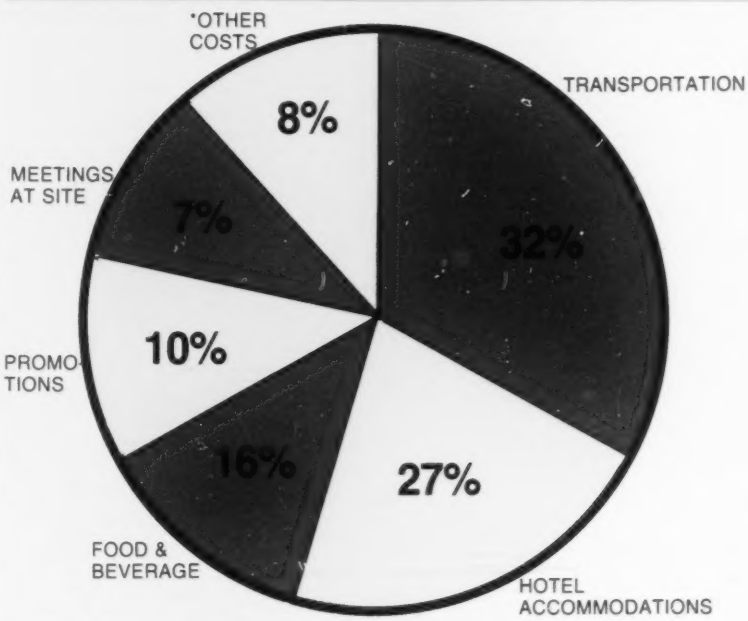
The 133 executives surveyed expect to increase their outlays for sales incentive programs by 14.5 percent over last year. On the dealer/distributor side, they said they will spend about 5.6 percent more this year than in 1983.

This year average group size has climbed only to about 124, still below earlier averages. But median size has jumped to 70, closer to past experience.

By an overwhelming margin, groups are comprised of couples. This year's survey shows 90 percent of programs including spouses. The other 10 percent tend to include some heavily business-oriented trips and other special situations—such as a direct selling organization with a predominantly female sales force. One such company notes that spouses may go along on a buy-in basis.

Buy-ins are not particularly popular, however, and only 32 percent of these executives permit them—5 points below the finding in last year's survey. Most believe that buy-ins defeat the motivational objective of the campaign. They think that if a salesperson can earn

WHERE THE TRAVEL BUDGET GOES



*INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT, ETC.

a portion of the trip without reaching assigned quota, the stimulus to forge further is lessened. Where buy-ins are allowed, the proportion of travelers using them is down—only 15 percent this year, compared with an average of 31 percent last year.

The higher incidence of buy-ins last year can be attributed to the generally poor economy. If fewer qualified, more might be expected to buy in if they could.

And qualification did hit a low point in the 1982-83 period, according to last year's survey. An average of 24 percent of eligible salespeople and dealers earned trips. The figure bounced back in this survey, to 31 percent.

Such a difference in one year's time must create a problem in terms of budget planning, trip arrangements and reservations. For the 29 percent of these executives who established a predetermined number of winners for a campaign, the solution was easy. But for the large majority of 71 percent who believe in an open-ended program in which all who qualify can pack their bags, dealing with wide swings in numbers can be a headache.

Not surprisingly, trip costs have risen. Whereas in 1982 costs averaged $2,000 per couple, last year's jaunts cost $2,400 per couple and $1,200 per person.

"Anticipating the number of winners on an open-ended program" is the No. 1 concern of R. W. Meissner of John Miller Supply Company in Wisconsin, a maker and distributor of farm equipment. While he estimates an average participation of 20 percent by both salespeople and dealers, his trips can average anywhere from "50 to 70 people," he points out. That's a wide spread. All trips are six-night foreign movements following 30-week qualification periods, so adjustments aren't easy.

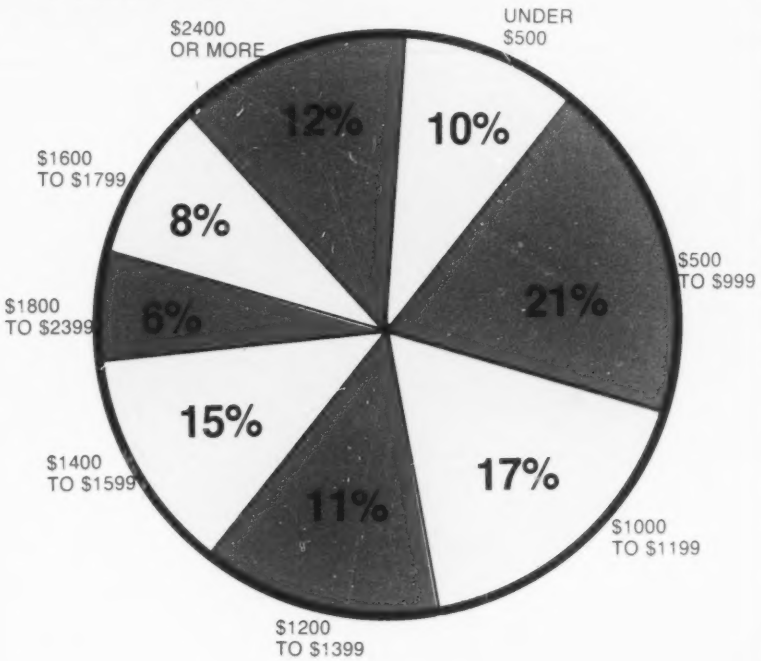
Other problems pop up, like that of a paint wholesaler running foreign trips for 80 or 90 people, who complains of "last-minute cancellation by customers who can't find a babysitter!"

The biggest single change in incentive travel during the past year has been the increase in trip cost. Last year the **IM** survey found a one-third escalation in the median cost, to $2,000 per couple, from $1,500 a year earlier. Among executives in this survey, the experience has been a little less formidable—but still a 20-percent increase—to a current level of $1,200 per person and $2,400 for a couple.

Reports ranged from $200 a couple to $10,000. Not too many years ago, many users sought to keep their total per-couple cost under $1,000; this year only about 10

COST OF INCENTIVE TRIP

PER PERSON—1984



AVERAGE $1313
MEDIAN $1200

PER-COUPLE COST
APPROXIMATELY DOUBLE
(90% INCLUDE SPOUSES)

percent of the companies could do that, and only 30 percent stayed under $2,000.

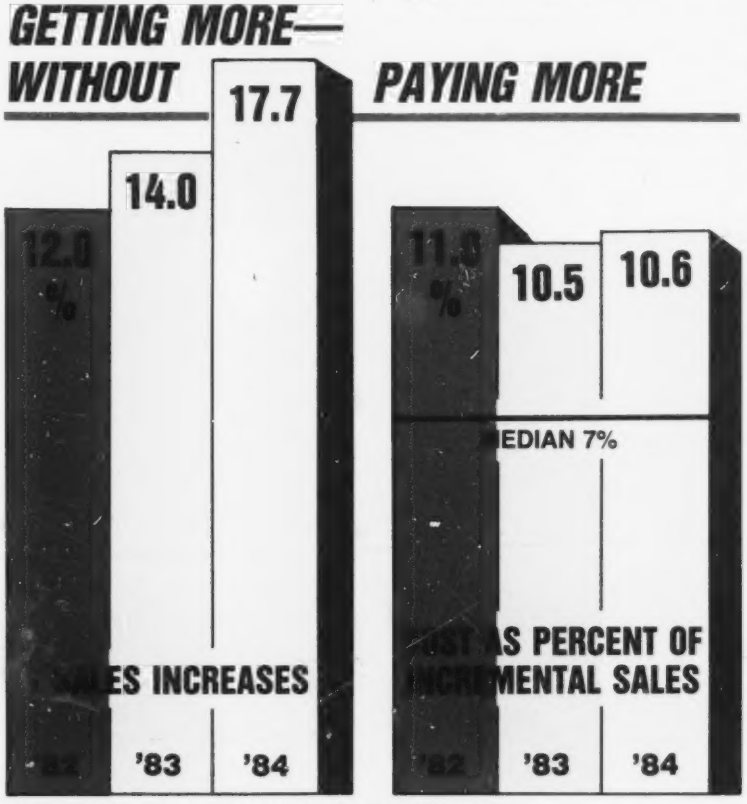
Despite the increase in trip costs, however, users have kept their *true cost*—the percentage of incremental sales during the program—remarkably level for three years. This survey group reported an average of 10.5 percent of the added sales spent for the incentive campaign, compared with a 10.6-percent average last year and about 11 percent a year earlier. For all three survey periods, the median was 7 percent.

This has been done, apparently, by adjusting qualification levels in most cases—by asking more sales results per trip. In a possibly related move, more executives than ever before—45 percent—indicated they include merchandise awards in their travel promotions. If relatively fewer achieve the trip qualification, the motivation of others is not lost if they can earn significant tangible awards by a moderate improvement in performance.

Incentive trips, gradually, have been getting a little longer. In 1980, the average dropped below four nights, as many users cut costs. In 1983, it moved back to 5.2-nights average duration, and this year stands at 5.5.

Although groups travel a little longer, they are working a bit less on the trips. A year ago 73 percent of the users said they conducted some business meetings at the destination—an average of 9 hours. The incidence of meetings has dropped to 68 percent, and the average time spent on business has slipped to 8.2 hours.

The bottom line is: What portion of the sales gain was given back for the cost of achieving the extra performance? This year's survey shows an average of 11 percent of the incremental sales invested in the incentive campaign.



ALL FIGURES REPRESENT AVERAGES IN IM SURVEYS

Business meetings take many forms, depending on the company and the audience. For dealer and distributor groups, new product introductions and similar information sessions are common. For sales force programs, sales training sessions or "pep rallies" are common.

The insurance industry, the largest single user of travel incentives—$161,156,000 in 1983—has been traditionally heavy on meeting content for its trips. But there are variations and contrasts even in that industry. Western Farm Bureau Life Insurance Company takes 200 people on seven-night trips to such places as London, Hawaii and Cancun, with hardly a moment of business meetings. The trip is based on a full year's selling, and only about 10 percent of salespeople qualify.

At the other extreme is Physicians Mutual Insurance Company, which conducts trips for about 100 (both company salespeople and independent agents) with 20 to 25 percent of eligibles making the grade. When they get to places like Maui, Acapulco or the home office in Omaha, their four-night stay is a real workout—six to eight hours *per day* of business sessions.

In general, the selling qualifica-

There has been a move toward using domestic destinations more. While in 1979 foreign travel hit a high of 57 percent of estimated expenditures, the figure stood at 45 percent in 1983.

tion period averages the same as in the past two years' reports—28 weeks. But a somewhat larger percentage use a full year or longer to tally the credits—41 percent of these users. A year ago, only 28 percent ran that long.

Planning for the program, however, starts much earlier—an average of 42 weeks before the trip date. And between the start of planning and the first day of the sales period, an average of 20 weeks elapses.

While a large number of users are selling for a full year to qualify, there appears to be a counter-trend among some others to shorten programs. L.H. Phillips of Dover Foods Company, an Ohio wholesaler, already pushes his promotions only 16 weeks, well below the average. But, he says, "my greatest problem is to be able to select a program that will motivate participation by all eligible persons over the whole period of time we want. We are seriously considering shorter and more varied programs in place of the 'Grand Prize' type we have run in the past."

The longer a promotion, the more likely that it won't have narrowly defined objectives, but will aim at an overall sales increase. And that objective, always stronger with travel users than with those who run merchandise promotions (which tend to be shorter in duration) was favored by 81 percent of survey respondents. More specific, tactical goals lay far behind, with introduction of new products leading at 31 percent. Offsetting competition was mentioned by 20 percent; moving a full line or special items, by 19 percent. (Figures add up to more than 100 percent, because many respondents have multiple objectives.)

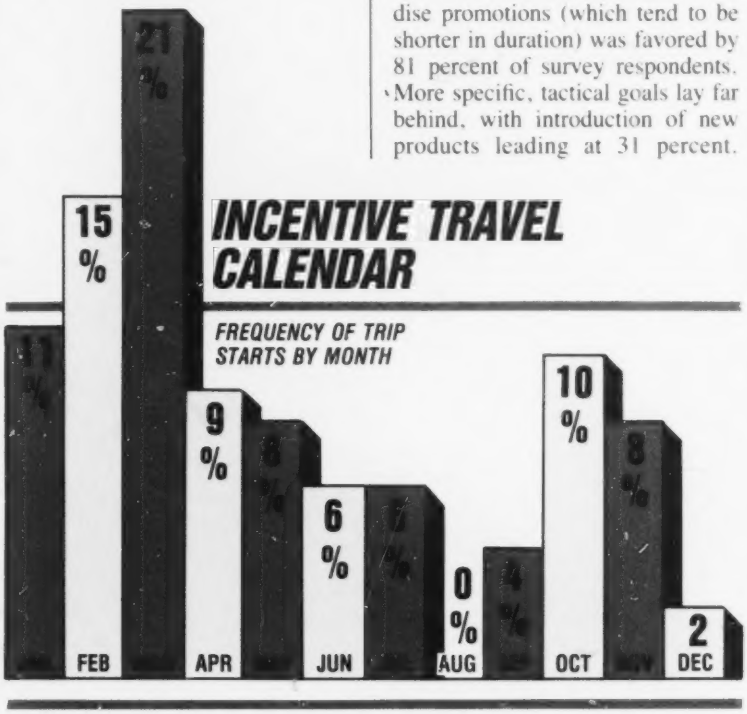
Setting quotas to match the objective and tie in to the campaign budget is a complex matter, and users of incentive travel have many approaches to it. But most—58 percent, or 5 points more than a year ago—base quotas on their sales forecasts, and derive the promotion budget from it. Handled properly, this provides the greatest flexibility for an open-end program—if sales go above or below forecast, budget requirements can be adjusted more easily.

A minority of 33 percent, however, work the other way around—start with a budget requirement and establish quotas to fit it. This, of course, can be most effective when coupled with a predetermined number of winners (set by 29 percent) rather than an open-end plan that provides for all who qualify to win (favored by 71 percent).

Relating specific cost items to overall budget appears to be a problem for many users; only 58 percent were able to answer the survey question on this breakdown—on par with previous results. In some cases, users indicate they buy a package in which the supplier handles all details, and they simply don't know. In others, however, it seems that they have not detailed their budgets finely enough to know.

Among those who did supply budget breakdowns, the two major items (transportation and hotel accommodations) command exactly what they have, on the average, for the past two years—32 and 27 percent of budget, respectively. In other items, there were only minor fluctuations (See chart on page 53).

After everybody comes home—what happens? Evaluating results remains the most important step in using incentive travel. Sound mea-



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WORLD TRAVEL SURVEY

Group size averages about 124 people, with a median of 70. By an overwhelming margin, incentive travel groups are comprised of couples.

surement of the program's outcome is essential, very simply, to find out whether you got your money's worth, and to plan the next program.

The bottom line is: What portion of a sales gain did you give back for the cost of achieving the extra performance? As mentioned above, this year's reports show a stable result over a three-year period. An average of 10.5 to 11 percent and a median of 7 percent of incremental sales were invested in the typical incentive campaign. But a disquieting fact is that only 49 percent of respondents were able to answer the question. Some commented: "we do not calculate this;" "not specifically related;" "don't know" or, simply "?".

All do, of course, total up their sales, and they have a good idea of increases. But they measure results by different sales-related criteria. And many use more than one of five yardsticks included in the questionnaire, or an average of slightly more than 1.5 criteria each.

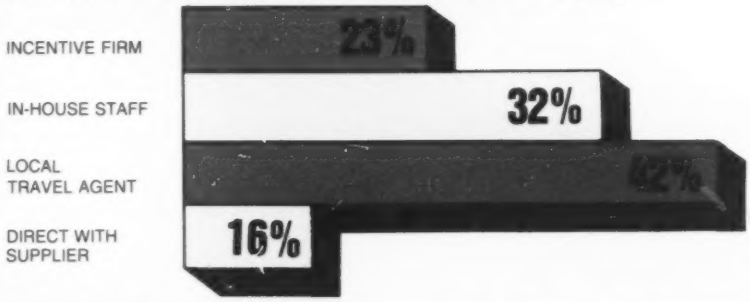
The favorite measurement is total units or dollars sold, used by 59 percent. The next evaluation is percent reaching goal or quota, chosen by 38 percent. Other criteria are profit on incremental sales (20 percent), increased market share (19 percent) and branch or district performance (12 percent). And 5 percent said they apply "other" standards, including "evaluate performance"—presumably a more subjective individual evaluation than the numbers supply.

However these executives evaluate their travel programs—scientifically or by seat-of-pants—they clearly value incentive travel as a major part of their marketing plans. The fact that 68 percent of them increased their spending for this kind of motivation this year—a record not equaled in many years—demonstrates their faith in it.

Even with continued rising costs of travel programs, users have achieved improved sales results at a final cost that has not risen in three years, underscoring the importance of the tool.

WHO MAKES TRIP ARRANGEMENTS?

(1984 SURVEY REPORT EXCEEDS 100% BECAUSE OF MULTIPLE RESPONSES)



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Circle No. 129 on Buyer Action Card

WORLD TRAVEL SURVEY

Favorite Destinations

(311 destination choices indicated by respondents; 165 U.S., 146 foreign)

United States

38 FLORIDA
3 Callaway Gardens
3 Orlando
2 Fort Lauderdale
2 Key West
2 Marco Island
2 Miami
1 Epcot Center
1 Tampa

32 HAWAII
3 Honolulu
3 Maui

23 CALIFORNIA
6 San Francisco
4 Los Angeles
3 Palm Springs
3 San Diego
1 Carmel Valley

13 NEVADA
8 Las Vegas
2 Lake Tahoe
2 Reno

7 PUERTO RICO

6 ARIZONA
2 Scottsdale
1 Phoenix
1 Tucson

6 ILLINOIS
6 Chicago

5 NEW YORK
4 New York City

5 TEXAS
3 San Antonio
1 Houston

4 GEORGIA
2 Atlanta
1 Lake Arrowhead
1 Savannah

3 ALASKA

3 LOUISIANA
3 New Orleans

3 VIRGIN ISLANDS
1 St. Thomas

2 DISTRICT OF COLUMBIA

2 MINNESOTA
2 Minneapolis

2 MISSOURI
1 Kansas City
1 Lake Ozark

2 NEW JERSEY
2 Atlantic City

2 SOUTH CAROLINA
1 Charleston

1 COLORADO

1 KENTUCKY
1 Louisville

1 MASSACHUSETTS
1 Hyannis

1 NEBRASKA
1 Omaha

1 TENNESSEE
1 Nashville

1 VIRGINIA
1 Hot Springs

1 WISCONSIN
1 Lake Lawn

Foreign

37 MEXICO
10 Acapulco
6 Cancun
4 Puerto Vallarta
1 Mexico City

12 CARIBBEAN
3 Barbados
2 Aruba
1 Antigua
1 St. Kitts

11 CRUISES
5 Caribbean
3 Mexico

10 ENGLAND
8 London

8 BAHAMAS
2 Nassau

8 CANADA
2 Toronto
1 British Columbia

7 BERMUDA

6 ITALY
3 Rome
1 Lake Como

5 EUROPE

5 JAMAICA

5 SPAIN
1 Madrid

4 HONG KONG

4 SWITZERLAND
1 Geneva
1 Lucerne

3 FRANCE
2 Paris
1 Nice

3 GERMANY
1 Munich

3 JAPAN
1 Tokyo

2 GREECE
1 Athens

2 HOLLAND
1 Amsterdam

2 IRELAND

2 MONACO

2 TAHITI

1 AUSTRIA

1 COLOMBIA
1 Cartagena

1 DENMARK
1 Copenhagen

1 EGYPT

1 MARTINIQUE

1 PORTUGAL

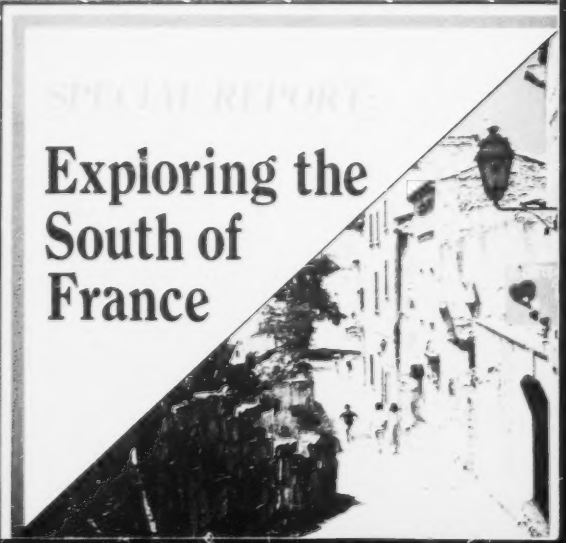
1 SWEDEN
1 Stockholm

1 THAILAND
1 Bangkok

Incentive Marketing
INCORPORATING INCENTIVE TRAVEL
AUGUST 1984

Business Gifts Wrap-Up

SPECIAL REPORT:
Exploring the South of France



A BILL PUBLIC

INCENTIVE MARKETING

NP/IS PRE-SHOW REPORT

August 1984

Ancient villages perched among rugged hills are trademarks of the South of France. See page 78 for details.

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80th Year
Vol. 158
Number 8
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8 ***IN THE NEWS—***
U.S. companies increasingly are following the lead of overseas marketers of consumer incentive travel promotions . . . Congress votes down an amendment which would have restricted tax deductions on employee recognition awards . . . The European Travel Exchange will debut this fall . . . **IM** interviews Lever Brothers' Zish Molbegott.

18 ***NP/IS PRE-SHOW REPORT—***
IM presents a complete guide to association functions and related events surrounding the National Premium/Incentive Show's San Francisco debut.

21 ***BUSINESS GIFTS WRAP-UP—***
Latest survey results put 1983 business gift expenditures at just over $1 billion—up 8 percent from 1982. Unit volume exceeded 50 million. Projections suggest an 11-percent increase is in store for 1984.

30 ***WHY FIRMS GIVE GIFTS—***
Survey respondents explain their motives.

34 ***GIVING THOUGHT TO GIFT-GIVING—***
Business gift suppliers identify key considerations for buyers.

37 ***GALLERY OF GIFTS—***
Get an early start on filling your shopping needs at next month's National Premium/Incentive Show with a selection of items. Each of our choices is keyed to an **IM** Reader Action Card number to get you fast details, and NP/IS booth references also are provided where available.

78 ***EXPLORING THE SOUTH OF FRANCE—***
This month's destination report focuses on an exotic alternative to the more conventional Parisian incentive travel program.

Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

Business Gifts Wrap-Up

Fifty million thank-yous can't be wrong! That will probably approximate the number of gifts distributed by American business executives this year.

Inherent in most of these gifts is the principle most present-day business people apply: It's the thought that counts. When ancient peoples offered gifts to the gods, there was much more at stake than trinkets or animal sacrifice. When an Eastern statesman gave President Reagan an elephant named Victory in this election year, it was surely more than a zoo animal.

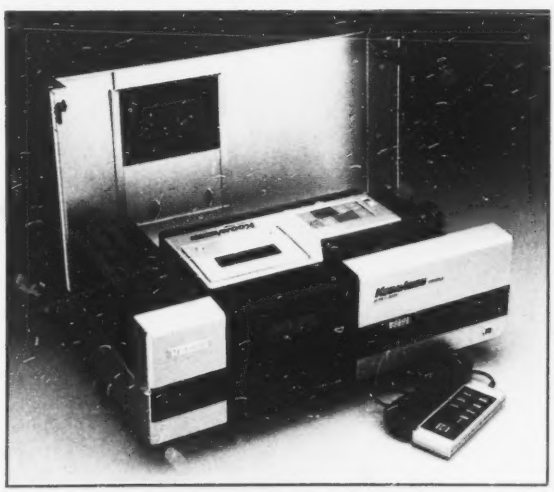
The same holds for the pens and desk sets, clocks and diaries, fruit baskets and liquor, books, steaks and glassware American business executives are giving to business friends this year, as in many past years. The heart of the matter is thanks, expression of friendship, and good will.

The cynics who would say otherwise—that it is a bad habit followed out of fear, bribery or a necessary evil—become fewer and fewer. In our 1983 survey report, **IM** noted a distinct drop in the number of negative attitudes expressed by surveyed executives; this year there are even fewer of them.

Last year's bill for business gifts was estimated at $1,034,000,000—passing the billion-dollar mark for the first time. That was an 8-percent expansion of gift budgets over 1982. In this year's limited survey, just completed, readers indicate they are increasing their gift purchases this year by about 11 percent.

Business gifts have had a somewhat rocky course in the past three decades. Everything from political scandals to recessions disturbed the equanimity of gift-givers. President Eisenhower once said, "A gift is not necessarily a bribe. One is evil, the other is a tangible expression of friendship." Still, through the 1960's and early 1970's expansion of gifts was minor. Busi-

Waterproof Sports Binoculars
Bausch & Lomb
(Exhibiting at NP/IS Booth 722)
For more information, circle No. 2 on Reader Action Card.



Kodavision Camcorder Cradle And Remote Control
Eastman Kodak Co.
(Exhibiting at NP/IS Booth 1308)
For more information, circle No. 121 on Reader Action Card.

ness gift-giving accelerated in the post-recession late 1970's, and the trend has been generally upward since then.

But, overall, business gift-giving has not kept pace with inflation. Estimated business gift volume approximately doubled from 1956 until 1978—while the Consumer Price Index rose about 144 percent. Since that time, however, gift spending has risen by about 82 percent through 1983—and the cost of living has advanced only about 48 percent.

Business expenditures for gifts rose by 16 percent, 14 percent and 18 percent, respectively, from 1979 through 1981. The next two years slowed to 9 percent and 8 percent, but—with an indication of something in the area of 11 percent growth this year—the growth momentum has not been lost.

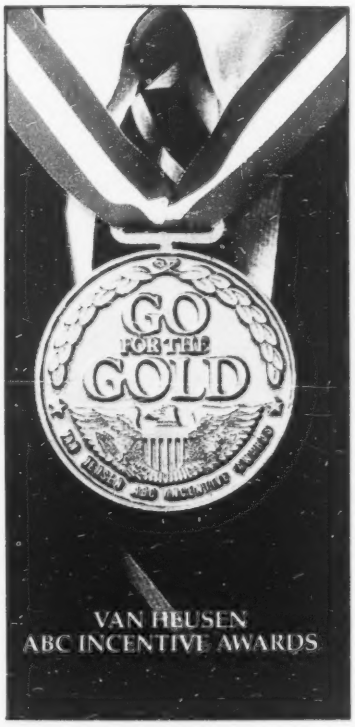
Santa Claus is indeed the partner of most business givers. In this year's survey, 70 percent said they give business gifts at Christmas—a lower rate than in some recent years. No other occasion comes close. Thanksgiving is chosen by a mere 6 percent; New Year's by 5 percent; birthdays by 7 percent; and company anniversaries by 11 percent. Some 37 percent cited a wide range of other occasions including employee anniversaries, company outings, plant and office visits, annual meetings, safety awards, sales meetings, weddings and key sales calls.

Most gifts go to customers, but there is a strong minority interest for employees. About five out of six of these executives—84 percent—present gifts to customers; 24 percent give to "all or most" customers, but the big majority of 60 percent restrict their largesse to major customers. Prospects are favored by another 14 percent. And 47 percent give to their employees, an increase from 38 percent in our last similar survey. Stockholders rate a gift with only 3 percent of these companies, down from previous reports.

The approximation of 50 million gifts this year, based on our survey reports, does not differ greatly from the numbers indicated in the past two years—although unit costs have moved up to increase the dollar outlay. This comes from a combination of inflation and upgrading of values. Last year, 34 percent of the users said they increased their unit expenditure for gifts; this year only 20 percent did so. This increase represents, in part, replacement of cutbacks in some of the past four or five years. A year ago, 37 percent said they had cut back on gift-giving—either by reducing the number of gifts or, more often, by decreasing the amount spent for each gift. The question covered "the past two years." In this survey, only 20 percent said they had reduced gift expenditures in the past—and about half were restoring the cuts.

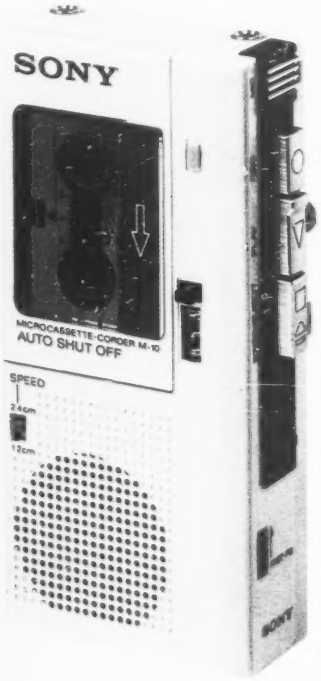
IM's latest business gift survey represents questionnaires received from 185 readers who purchase gifts, with 172 of them giving complete information—including their expenditures in 1983 and estimated gift budgets for this year. A majority of 53 percent showed a year-to-year increase in spending, with only 5 percent reducing gift purchases this year. Budgets range from $200 to more than $400,000, with a median expenditure of $5,100—although the arithmetic average is $18,767 because of the weight exerted by the big spenders. They are giving an average of 732 gifts this year—but the median gift list is just 120 (compared with 125 recorded a year ago). Again, the range is broad—from as few as three gifts to 40,000.

How much should be spent for an individual business gift? The answer is somewhere between $1 and $2,500, according to the Santa Clauses in our survey. The most common price, list-



Go For The Gold Awards Catalog
The Van Heusen Corp. Markets Co.
(Exhibiting at NP/IS Booth 801)

For more information, circle No. 159 on Reader Action Card.



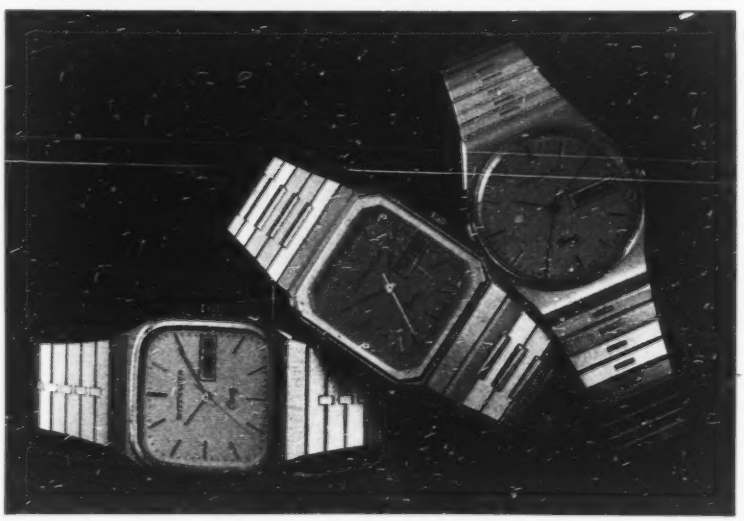
M-10 Microcassette Recorder
Sony Corp. of America
(Exhibiting at NP/IS Booth 701)

For more information, circle No. 152 on Reader Action Card.

Respondents to this year's survey said they will increase business gift expenditures by 11 percent in 1984.

T70 35mm SLR Camera
Canon USA, Inc.
(Exhibiting at NP/IS Booth 615)

For more information, circle No. 116 on Reader Action Card.



Odyssey Series Quartz Watches
Longines-Wittnauer Watch Co.

For more information, circle No. 133 on Reader Action Card.

ed by 22 percent of the executives, is $10. The median of all reports is $16, despite an average among the price listings of almost $50. If we consider the numbers of gifts reported by the respondents, the average actual expenditure comes to about $22.95 per unit.

There is a tax consideration in what one chooses to spend for a business gift. Under longstanding Internal Revenue Service rules, the donor may not claim as a tax deduction the expense for a gift or gifts to any one person exceeding $25 in the fiscal year. This means a penalty—extra cost, in effect—whenever you spend more than that for a single gift. It also means some nuisance accounting, if you abide by the letter of IRS regulation.

Nevertheless, 26 percent of the price points mentioned by the survey respondents exceed $25. This has been increasing for several years (actually the percentage was a little higher a year ago), as users find it more and more difficult to buy suitable gifts within limits set in 1962. Accommodating for inflation in the intervening years, a comparable limitation now would be about $83.75.

There is a move afoot now to increase that IRS limit to $100. The move is led by the Specialty Advertising Association International (SAAI), whose members count business gifts as a major part of their market. The new Incentive Federation Inc., a coalition of associations and corporations formed to improve the legal and regulatory climate for all types of incentives, also will probably take a major role.

Meanwhile, companies must keep a $25 lid on gift offerings, or be prepared to take a licking in taxes.

With the great bulk of business gifts coming at Christmas time each year, the pre-Christmas fall period naturally accounts for the greatest purchasing volume. In this year's survey, as usual, October is the big month—when 30 percent place their gift orders. September (25 percent) and November (15 percent) are runners-up. Other gift-buying is spread evenly—and lightly—through the year.

Business gift handling is an individual matter subject to many variations. Pertinent factors include delivery method and location, personalization, item sources and types of items. The latest users' reports on some details may be useful:

Custom Jackets
DeLong Sportswear
(Exhibiting at NP/IS Booth 2138)

For more information, circle No. 118 on Reader Action Card.

Executive Candy Jar
Sugardale Foods, Inc.
(Exhibiting at NP/IS Booth 1712)

For more information, circle No. 154 on Reader Action Card.

Portable Radio/Television
General Electric Co.
(Exhibiting at NP/IS Booth 1606)

For more information, circle No. 126 on Reader Action Card.

How are gifts delivered?

Executives	45%
Salespeople	44%
Parcel delivery service	32%
Mail	24%
Messenger	4%

Where are gifts presented?

Recipient's place of business	65%
Donor's place of business	27%
Recipient's home	26%

Are gifts personalized?

Yes	17%
No	78%

Sources of business gifts:

Direct from manufacturer	43%
Premium representative	36%
Ad specialty counselor	27%
Wholesaler	17%
Retail store	15%
Jobber, incentive house, stamp company,	14%
Mail-order firm	5%

Preferred type of gift item:

Personal merchandise	50%
Desk items	44%
Liquor	34%
Food	24%
Home or decorative items	18%
Choice of several items	15%
Donor's own product	3%

Despite the growth in business gifts, there are still some negatives concerning the practice. Many companies—even those deriving considerable revenue from supplying them—have policies forbidding their employees to accept gifts. Although this practice seems to have stopped growing, it still exists in some places. Notable are governmental agencies at all levels—perhaps most readily understandable.

We asked this year's gift users for their experience in this regard, and 26 percent said that none of the recipients they encountered had such restrictions. The rest, however, said they see such bans in an average of 27 percent of cases. This is somewhat lower than in previous surveys—and only 3 percent said they see this practice increasing; 92 percent said the restrictions are not increasing, while the other 5 percent did not answer.

These executives are positive, regardless of any policies restricting gift practice, that their gifts do no harm.

Christmas remains the major time for gift-giving, and customers remain the main recipients. Most common price for gifts is $10, but some spend up to $400,000.

Decorative Sculpture
Roman, Inc.
(Exhibiting at
NP/IS Booth 2522)

For more information, circle No. 147 on Reader Action Card.

Baronet Four-Piece Coffee Set
Oneida Silversmiths
(Exhibiting at
NP/IS Booth 1323)

For more information, circle No. 1 on Reader Action Card.

Asked whether they believe their gifts "have ever improperly influenced a customer's buying decisions," 92 percent said "no". Only 3 percent gave affirmative responses and 5 percent did not answer.

On the other side of the coin—whether gifts they received were intended to exert improper influence—almost as strong a response was found: "no!" said 85 percent, while 9 percent allowed the possibility and 6 percent did not respond.

There is relatively little opportunity to influence these executives through gifts. Although some receive up to 40 or 50 business gifts a year, they are rare; many say they receive none, and the average received is just 8 gifts.

But giving is what counts, they all agree. The business gift is unique in the incentive world, in that it is not really an incentive in the usual sense—not offered in advance in consideration of performance of some service. Its whole *raison d'etre* is that it does not involve any consideration. ■

THE TOP CHOICES

(Listed by 5 percent or more)

Pen or Pen Set	**21%**
Clock	**15%**
Liquor	**10%**
Calendar	**8%**
Diary	**7%**
Watch	**7%**
Knives	**6%**
Fruit	**5%**
Glassware	**5%**
Jacket	**5%**
Desk Set	**5%**

POPULAR CHOICES

(Listed by 2 percent or more, in order of mentions)

Book, Calculator, Ham, Cheese, Coffee Mugs, Food, Gift Certificate, Golf Items, Turkey, Key Chain, Steaks, Candy, Card Case, Leather Goods, Radio, Ruler, Sporting Goods, Tie, Tape Measure, Tray, TV Set, Wine, Briefcase, Auto Accessories, Luggage, Memo Holder, Silverware, Tools.